No. 92-1108

Supreme Court, U.S.
FILED
DEC 23 1992
OFFICE OF THE CLERK

IN THE

SUPREME COURT OF THE UNITED STATES

October Term, 1993

PERFORMANCE INDUSTRIES, INC.,
Petitioner,

v.

MORTON INTERNATIONAL, INC.,
Respondent.

PETITION FOR WRIT OF CERTIORARI TO THE UNITED STATES COURT OF APPEALS FOR THE THIRD CIRCUIT

PETITION FOR WRIT OF CERTIORARI

Arthur H. Seidel
Counsel of Record
NANCY RUBNER-FRANDSEN
SEIDEL, GONDA, LAVORGNA
& MONACO, P.C.
1800 Two Penn Center Plaza
Philadelphia, PA 19102
Telephone: (215) 568-8383
Attorneys for Petitioner
Performance Industries, Inc.

PACKARD PRESS / LEGAL DIVISION, 1617 JFK BOULEVARD, PHILA., PA. 19103 (215) 563-9000

QUESTION PRESENTED FOR REVIEW

1. Is a threat of litigation made at a settlement conference a basis for a declaratory judgment action under 28 U.S.C. 2201?

STATEMENT UNDER RULE 29.1

Petitioner in the instant matter is Performance Industries, Inc. There are no parent companies or subsidiaries of Petitioner Performance Industries, Inc.

TABLE OF CONTENTS

	Page
QUESTIONS PRESENTED FOR REVIEW	i
STATEMENT UNDER RULE 29.1	ii
TABLE OF CONTENTS	iii
TABLE OF AUTHORITIES	iv
OPINIONS BELOW	2
JURISDICTIONAL STATEMENT	2
STATUTE INVOLVED	2
STATEMENT OF THE CASE	2
BASIS FOR JURISDICTION IN THE DISTRICT COURT	5
ARGUMENT	5
CONCLUSION	8
APPENDIX	
28 U.S.C. 2201	A-1
Judgment Order of the Court of Appeals for the Third Circuit	A-2
Opinion of the District Court	A-4
Order of the District Court	A-9

TABLE OF AUTHORITIES

Cases: Page

Kidder Peabody & Company, Incorporated v. Maxus Energy Corporation, 925 F.2d 556 (2d Cir. 1991), *cert. den.* ____ U.S. ____, 111 S.Ct. 2829 (1991) 6-7

Sweetheart Plastics, Inc. v. Illinois Tool Works, Inc., 439 F.2d 871 (1st Cir. 1971)..... 6

West Interactive Corp. v. First Data Resources Inc., 972 F.2d 1295 (Fed. Cir. 1992)..... 5, 7-8

No._____

IN THE

SUPREME COURT OF THE UNITED STATES

October Term, 1993

PERFORMANCE INDUSTRIES, INC.,
Petitioner

v.

MORTON INTERNATIONAL, INC.,
Respondent.

PETITION FOR WRIT OF CERTIORARI TO THE UNITED STATES COURT OF APPEALS FOR THE THIRD CIRCUIT

PETITION FOR WRIT OF CERTIORARI

Petitioner respectfully prays that a writ of certiorari issue to review the judgment of the United States Court of Appeals for the Third Circuit entered in its No. 92-1278 on September 30, 1992.

OPINIONS BELOW

On September 30, 1992, the Court of Appeals for the Third Circuit entered its Judgment Order, reprinted in the Appendix hereto at page A-2. No opinion was filed by the Court of Appeals for the Third Circuit. The Opinion of the United States District Court for the Eastern District of Pennsylvania is reported at ____ F.Supp. ____, 22 U.S.P.Q 1632, and is reprinted in the Appendix hereto at page A-4.

JURISDICTIONAL STATEMENT

Invoking federal jurisdiction under 15 U.S.C. 1121 and 28 U.S.C. 2201, Petitioner brought this suit in the Eastern District of Pennsylvania on August 1, 1991. On March 10, 1992, the District Court entered its Order granting Respondent's Motion to Dismiss the Complaint for Lack of Subject Matter Jurisdiction or, in the Alternative, to Stay the Proceeding, dismissing Petitioner's Complaint and entering judgment in favor of Respondent and against Petitioner (A-9).

On appeal, the Court of Appeals for the Third Circuit on September 30, 1992, entered its Judgment Order, affirming the judgment of the District Court (A-2). This Petition for Certiorari was filed within ninety (90) days of that date.

This Court's jurisdiction arises under 28 U.S.C. 1254(1).

STATUTE INVOLVED

This case involves 28 U.S.C. 2201, which is reproduced in the Appendix at A-1.

STATEMENT OF THE CASE

On April 18, 1990, Petitioner, Performance Industries, Inc. ("Performance"), applied to register its mark SAFE-T-THAW for ice and snow melting preparation in

the United States Patent and Trademark Office (sometimes hereinafter referred to as "PTO"). The PTO examined Performance's application and determined that the mark was entitled to registration on the Principal Register. In accordance with 37 C.F.R. §2.80, Performance's mark was published for opposition in the September 25, 1990 issue of the *Official Gazette (Trademarks)* of the Patent and Trademark Office, and re-published in the December 11, 1990 issue of the *Official Gazette (Trademarks)*.

On January 7, 1991, Respondent, Morton International, Inc. ("Morton"), instituted a trademark opposition proceeding in the PTO against Performance's trademark application for its mark SAFE-T-THAW.[1] On April 16, 1991, a conference was held in Philadelphia between the parties for the purpose of discussing possible settlement of the opposition proceeding. Despite the fact that only an opposition proceeding was involved, Morton sent three (3) high level representatives from Morton's Chicago offices to discuss the matter on behalf of Morton, including the Group Vice President Salt of Morton International, Inc., the Vice President for Legal Affairs and General Counsel, and the Vice President, Legal Affairs and Salt Group Counsel. Morton did not send its trademark counsel to such meeting despite the routine nature of an opposition proceeding.

It is the clear recollection of Performance's Vice President, Mr. Jay Greenwald, that at the April 16 settlement meeting Morton indicated both that Performance's use of its mark SAFE-T-THAW on its goods infringed upon Morton's alleged mark SAFE-T-SALT and that Morton would consider obtaining a restraining order against Performance unless Performance changed its mark. This threat of litigation by Morton against

---

1. The Trademark Trial and Appeal Board (sometimes hereinafter referred to as "TTAB"), in an opinion dated October 14, 1991, stayed the opposition proceeding pending the final determination in this civil case.

Performance was also witnessed by Glenn F. Hing, Esq., general attorney for Performance. It was Mr. Hing's recollection that Morton's representatives discussed "possible injunctive action" against Performance, due to possible consumer confusion between the product name utilized by Morton (SAFE-T-SALT) and Performance (SAFE-T-THAW). The foregoing is corroborated by the handwritten notes which Mr. Hing took contemporaneously at the meeting.

Based upon the aforementioned threat of infringement, coupled with the bringing by Morton of the Opposition in the PTO, and the continuation by Performance to market and promote its goods under its SAFE-T-THAW mark, Performance sought, *inter alia*, a declaratory judgment that its use of its trademark "SAFE-T-THAW" did not violate any rights of Morton.[2]

In response to Performance's Complaint, Morton filed its Motion to Dismiss the Complaint for Lack of Subject Matter Jurisdiction or, in the Alternative, to Stay the Proceeding. Despite accepting as true Mr. Hing's notes of the meeting, which notes corroborated the threat of infringement, the District Court granted Morton's Motion to Dismiss, concluding that Performance failed to show that Morton's conduct could have caused Performance to have a reasonable apprehension of being sued because such threatening remarks arose in the context of a settlement meeting.

Performance filed its appeal to the United States Court of Appeals for the Third Circuit. On September 30, 1992, the Third Circuit entered its Judgment Order affirming the judgment of the District Court. No written opinion by the Third Circuit was filed in connection with this case.

---

2. In addition, Performance sought cancellation pursuant to Section 37 of the Lanham Act, 15 U.S.C. 1119, of Morton's U.S. Trademark Registration No. 1,411,910 for "SAFE-T-SALT" on the basis that such mark is generic for salt for melting ice and snow.

BASIS FOR JURISDICTION IN THE DISTRICT COURT

The District Court's jurisdiction in this action is based on 28 U.S.C. 1338 and 28 U.S.C. 2201 and 2202.

ARGUMENT

There is a clear split among the Circuit Courts of Appeal as to whether threats of infringement made at a settlement conference give the threatened party a reasonable apprehension of being sued so as to invoke federal jurisdiction under the Declaratory Judgment Act, 28 U.S.C. 2201 and 2202.

In the instant case, the Third Circuit, by affirming the District Court's decision, has taken the position that a threat of infringement at a settlement conference does not give the threatened party a reasonable apprehension of being sued. Specifically, the District Court held the following (A-8):

> Accepting as true Mr. Hing's notes of the Opposition settlement meeting, the court still finds that Performance has failed to show that Morton's conduct could have caused Performance to have a reasonable apprehension of being sued. . . . *[B]ecause any remarks Morton's representative made, either concerning infringement or injunctive action, arose in the context of a meeting to settle the Opposition proceeding, such remarks are not sufficient to create an "actual controversy."* [Emphasis added.]

The Court of Appeals for the Federal Circuit took a similar position in *West Interactive Corp. v. First Data Resources Inc.*, 972 F.2d 1295, 1297-1298 (Fed. Cir. 1992). In *West Interactive*, the Federal Circuit held that statements alleging patent infringement which were made during a meeting involving licensing negotiations by the inventor of the patent in issue were merely "jawboning" and did not create a reasonable fear of a lawsuit to support declaratory judgment jurisdiction.

In contravention to the foregoing cases, the Court of Appeals for the First Circuit in *Sweetheart Plastics, Inc. v. Illinois Tool Works, Inc.*, 439 F.2d 871 (1st Cir. 1971) and the Court of Appeals for the Second Circuit in *Kidder Peabody & Company, Incorporated v. Maxus Energy Corporation*, 925 F.2d 556 (2d Cir. 1991), *cert. denied*, ____ U.S. ____, 111 S.Ct. 2829 (1991), recognize that a threat of litigation made during settlement discussions is an appropriate basis for invoking declaratory judgment jurisdiction.

Specifically, the First Circuit held the following in *Sweethart Plastics*, *supra*, 439 at 874:

> Furthermore, in connection with the settlement negotiations in the Chicago Case, I.T.W.'s president had written a letter to Sweetheart's president suggesting that the new containers would indeed infringe I.T.W.'s patents.[5] We think that Sweetheart has shown – but barely – that it would probably face an infringement suit if it began to produce the new containers in large quantities.

---

[5] I.T.W. suggests that this letter should be excluded from evidence because it concerned a proposed settlement, but the rule excluding statements made in the course of an attempted compromise applies only when the statement is offered "to establish an admission or conduct indicative of a consciousness of a weak cause * * *" 4 *Wigmore on Evidence* 1061 (Supplement at 25) (3rd ed. 1964). Sweetheart does not offer the letter for that purpose. Whatever the business ethics of using this confidential letter as evidence, the letter is admissible.

In *Kidder Peabody*, *supra*, 925 F.2d at 562, the Second Circuit held:

> Kidder sought a declaration that it is not liable to Maxus for violations of sections 10(b) and 14(e) of the 1934 Act. Apparently after learning of the SEC

> investigation into the activities of Siegel relating to the Diamond/Shamrock/Natomas merger, Maxus contacted Kidder to enter into settlement discussions about potential claims arising out of this transaction. Maxus representatives sent a memorandum to Kidder detailing the claims it might assert; one claim was based on the federal securities laws. A declaratory judgment action under 28 U.S.C. 2201 (1988) therefore was properly commenced in light of the real threat of litigation.

Manifestly, there is a clear split of authority with regard to threats of litigation made at or directly in connection with a settlement conference.

Performance submits that in the lower courts it correctly established that it is a "totality of circumstances" which determines whether certain conduct meets the "reasonable apprehension" prong of the "actual controversy" requirement for declaratory judgment jurisdiction. Performance also correctly established that under the "totality of circumstances" analysis, the bringing of an Opposition in the Patent and Trademark Office by Morton against Performance, *coupled with* the mention of "possible injunctive action" by Morton's high ranking representatives at the settlement meeting, and the continuation by Performance to market and promote its goods under its "SAFE-T-THAW" mark, were sufficient to cause Performance to have a reasonable fear of impending infringement litigation.

However, both the District Court and the Third Circuit failed to recognize the threat of "possible injunctive action" as a basis for establishing that Performance had a "reasonable apprehension" of being sued. Performance submits that the failure to recognize such threat is in direct contravention to the purposes of the declaratory judgment act. Rather, Performance agrees with Circuit Judge Lourie's dissenting opinion in *West Interactive*, *supra*, 972 F.2d at 1299, in which he stated the following:

> [W]e should not countenance parties pulling the wool over court's eyes. When they are acting threateningly, albeit in indirect ways, and then, when a threatened infringer brings a declaratory judgment action, they should not be permitted to throw up their hands and say, "Who me?"

CONCLUSION

Because there is a split of authority in the Courts of Appeal with regard to threats of litigation made at a settlement conference providing a basis for a declaratory judgment action, this Petition for Certiorari should be granted.

Respectfully submitted,

PERFORMANCE INDUSTRIES, INC.

By_____

ARTHUR H. SEIDEL
Counsel of Record
NANCY RUBNER-FRANDSEN
SEIDEL, GONDA, LAVORGNA
& MONACO, P.C.
1800 Two Penn Center Plaza
Philadelphia, PA 19102
Telephone: (215) 568-8383
Attorneys for Petitioner
Performance Industries, Inc.

APPENDIX

STATUTE INVOLVED

The statute involved in this matter is 28 U.S. 2201.

§2201. Creation of remedy

(a) In a case of actual controversy within its jurisdiction, except with respect to Federal taxes other than actions brought under section 7428 of the Internal Revenue Code of 1986, a proceeding under section 505 or 1146 of title 11, or in any civil action involving an antidumping or countervailing duty proceeding regarding a class or kind of Canadian merchandise, as determined by the administering authority, any court of the United States, upon the filing of an appropriate pleading, may declare the rights and other legal relations of any interested party seeking such declaration, whether or not further relief is or could be sought. Any such declaration shall have the force and effect of a final judgment or decree and shall be reviewable as such.

(b) For limitations on actions brought with respect to drug patents see section 505 or 512 of the Federal Food, Drug, and Cosmetic Act.

UNITED STATES COURT OF APPEALS
FOR THE THIRD CIRCUIT

No. 92-1278

PERFORMANCE INDUSTRIES, INC.,
Appellant,

v.

MORTON INTERNATIONAL, INC.

Appeal from the United States District Court
for the Eastern District of Pennsylvania
(D.C. Docket No. 91-04899)
District Judge: Hon. Ronald B. Buckwalter

Argued September 22, 1992

Before: MANSMANN and ROTH, *Circuit Judges* and RESTANI, *Court of International Trade Judge*[1]

JUDGMENT ORDER

After consideration of all contentions raised by appellant,

IT IS ADJUDGED AND ORDERED that the judgment of the district court be and is hereby affirmed.

Costs to be taxed against appellant.

BY THE COURT:

Jane R. Roth

Circuit Judge

---

1. Honorable Jane A. Restani, United States Court of International Trade, sitting by designation.

Attest:

Sally Mrvos

Sally Mrvos, Clerk

DATED: SEP 30 1992

Certified as a true copy and issued in lieu
of a formal mandate on October 22, 1992

Test: Sally Mrvos

Clerk, United States Court of Appeals
for the Third Circuit.

ENTERED: 3/10/92

IN THE UNITED STATES DISTRICT COURT
FOR THE EASTERN DISTRICT OF PENNSYLVANIA

PERFORMANCE INDUSTRIES, INC.	:	CIVIL ACTION
	:	
v.	:	
	:	
MORTON INTERNATIONAL, INC.	:	NO. 91-4899

MEMORANDUM

BUCKWALTER, J. March 6, 1992

Performance Industries, Inc. ("Performance") brought this action against Morton International, Inc. ("Morton") in order to have the court determine the parties' rights in their respective trademarks. Performance has asked the court for declaratory relief as well as for cancellation of Morton's trademark. Defendant Morton now brings a motion to dismiss for lack of subject matter jurisdiction or alternatively a motion to stay this proceeding until the Trademark Trial and Appeal Board ("TTAB") of the United States Patent and Trademark Office makes a final decision on the merits in an Opposition proceeding pending before it between Performance, as applicant, and Morton, as opposer. Fed.R.Civ.P. 12(b)(1). Performance asserts that this court has jurisdiction based on a federal question. 28 U.S.C. 1338, 2201.

When a Rule 12(b)(1) motion attacks subject matter jurisdiction factually, as it does here, and thus places in issue the trial court's very power to hear the case, the trial court may weigh the evidence to determine whether it has the power to hear the case. *Kronmuller v. West End Fire Co. No. 3 Fire Dept.*, 123 F.R.D. 170, 172 (E.D.Pa. 1988). In such cases, no presumption of truth attaches to plaintiff's allegations, and the existence of disputed material facts will not preclude the trial court from evaluating the merits of jurisdictional claims. *Id.*

citing Mortensen v. First Federal Savings and Loan Ass'n., 549 F.2d 884, 891 (3d Cir. 1977). The party asserting jurisdiction bears the burden of proving that jurisdiction does in fact exist. *Id.* Additionally, if jurisdiction is based on a federal question, the pleader need only show that he has alleged a claim under federal law and that the claim is not frivolous. *Id.* (citations omitted). As explained below, the court grants Morton's motion to dismiss.

Background

Performance and Morton are competitors in the ice and snow melting preparation business. Performance began selling its ice and snow melting preparation product under the trademark SAFE-T-THAW in October 1987 and in April 1990 applied to register that trademark in the United States Patent and Trademark Office. Morton sells a similar ice and snow preparation product under the trademarks SAFE-T-SALT and SAFE-T-SALT (and design) and has federal registrations for those marks.

On January 7, 1991, Morton filed an Opposition to Morton's trademark registration application in the United States Patent and Trademark Office. Several months later, on April 16, 1991, representatives of Morton and Performance met in Philadelphia at Morton's suggestion to discuss a possible settlement of the Opposition proceeding. The parties have presented conflicting stories of the nature of what was said during this meeting. According to the recollection of Performance's Vice President Jay Greenawald and General Attorney Glenn F. Hing, Morton's representatives indicated during the meeting that Performance was infringing upon Morton's trademark and that Morton might seek a restraining order or some other injunctive relief against Performance. Mr. Hing's handwritten notes of that meeting state, among other things, "possible injunctive action by Morton/consumer confusion."

Morton's representatives, who included President William E. Johnston, Vice President for Legal Affairs and General Counsel, James R. Stanley, and Vice President for Legal Affairs and Group Counsel, James F. Fox, on the other hand, portrayed a more conciliatory meeting. Mr. Johnston recalled asking Performance to consider making a minor change in the SAFE-T-THAW mark and offering to help pay for the changes. Mr. Stanley remembered opening the meeting by stating Morton's desire to reach an amicable resolution of the controversy in order to avoid the cost of litigation. Mr. Stanley and Mr. Johnston also deny that anyone from Morton ever mentioned or threatened filing either an infringement action or pursuing a restraining order or other injunctive relief.

Reaching no settlement, the parties proceeded with the Opposition before the TTAB. On May 23, 1991, Performance answered Morton's Opposition. On June 21, 1991, Morton served Performance with Morton's First Set of Interrogatories and Request for Production of Documents. On July 19, 1991, Morton granted Performance's request for a two-week extension, until August 5, 1991, within which to answer Morton's discovery. Performance never responded to Morton's discovery requests, but on August 1, 1991, Performance brought the present action seeking a declaration that its trademark does not infringe Morton's trademark and cancellation of Morton's trademark. The TTAB has stayed the Opposition proceedings pending the final outcome of this case. The court now turns to the pending motions.

Discussion

The court will first address whether this case is an appropriate one for declaratory relief.

The Declaratory Judgment Act permits federal courts, in their discretion, to render declaratory judgments in "case[s] of actual controversy." 28 U.S.C. §2201. The statute creates a remedy only; it does not

create a basis of jurisdiction, and does not authorize the rendering of advisory opinions. *Cutaiar v. Marshall,* 590 F.2d 523, 527 (3d Cir. 1979). The statute's requirement of an "actual controversy" is identical to the requirement of "cases" and "controversies" under Article III of the United States Constitution. *Cutaiar,* 590 F.2d at 527.

In declaratory judgment actions involving trademarks and patents, courts apply the same test to determine whether an "actual controversy" exists; an "actual controversy" exists when the defendant's conduct creates in plaintiff a "reasonable apprehension" of being sued for infringement. *Crown Drug Co., v. Revlon, Inc.,* 703 F.2d 240, 243 (7th Cir. 1983); *Interdynamics, Inc. v. Wolf,* 698 F.2d 157, 166 (3d Cir. 1982); *See also* 2 McCarthy, *Trademarks and Unfair Competition,* §32:18 at 710 (2d ed. 1984). Either an express or an implied threat of suit can satisfy the "actual controversy" requirement. 698 F.2d at 167-68.

This court finds that the evidence fails to establish that Morton's acts could have caused Performance to have a "reasonable apprehension" of being sued for infringement. Performance relies on Mr. Hing's notes of the discussions during the Opposition settlement meeting coupled with Morton's filing an Opposition proceeding.

The filing of an opposition against a trademark registration in the Patent and Trademark Office is not, *per se,* regarded as sufficient to create an "actual controversy" under the Declaratory Judgment Act. *Chesebrough-Ponds, Inc. v. Faberge, Inc.,* 666 F.2d 393, 396 (9th Cir. 1982); 2 McCarthy, *Trademarks and Unfair Competition,* §32:18 at 711 (2d ed. 1984). In that same regard, courts have also found that remarks concerning infringement that are made by a deponent during an opposition proceeding do not constitute a charge or threat of infringement. *See Red Lobster Inns, Inc. v. New England Oyster House, Inc.,* 378 F.Supp. 1144 (S.D. Fla. 1974), *aff'd,* 524 F.2d 968 (5th Cir. 1975); *Wuv's*

International, Inc. v. Love's Enterprises, Inc., 200 U.S.P.Q. 273 (D.Colo. 1978).

Accepting as true Mr. Hing's notes of the Opposition settlement meeting, the court still finds that Performance has failed to show that Morton's conduct could have caused Performance to have a reasonable apprehension of being sued. First, Mr. Hing's notes are too inconclusive as to the statements Morton's representatives made and give the court little basis for finding that Morton's conduct could have caused a reasonable apprehension of being sued. Also, because any remarks Morton's representatives made, either concerning infringement or injunctive action, arose in the context of a meeting to settle the Opposition proceeding, such remarks are not sufficient to create an "actual controversy." Accordingly, this court does not have jurisdiction to hear this case and grants Morton's motion to dismiss for lack of subject matter jurisdiction.

With respect to Performance's claim for cancellation of Morton's trademark, the court finds that this claim must also be dismissed for lack of subject matter jurisdiction. Under Section 37 of the Lanham Act, district courts have the power to cancel registrations, but only in an "action involving a registered mark." 15 U.S.C. §1119. Interpreting this language, courts have held that a plaintiff with no registered mark cannot obtain jurisdiction in federal court by relying on Section 37 of the Lanham Act alone. *Windsurfing Int'l., Inc. v. AMF, Inc.*, 828 F.2d 755, 758-59 (Fed. Cir. 1987). There must be some other independent ground of jurisdiction, such as a claim of infringement or a "case of actual controversy" referred to in the Declaratory Judgement Act. *Id.* at 758-59; *See also* 2 McCarthy, *Trademarks and Unfair Competition*, §30:32 at 526 (2d ed. 1984). As discussed above, since no "actual controversy" exists to create jurisdiction in this court under the Declaratory Judgment Act, the court also does not have jurisdiction to entertain Performance's cancellation claim.

An appropriate order follows.

IN THE UNITED STATES DISTRICT COURT
FOR THE EASTERN DISTRICT OF PENNSYLVANIA

PERFORMANCE INDUSTRIES, INC.	:	CIVIL ACTION
	:	
v.	:	
	:	
MORTON INTERNATIONAL, INC.	:	NO. 91-4899

ORDER

AND NOW, this 6th day of March, 1992, upon consideration of the motion of defendant Morton International, Inc. to dismiss the complaint for lack of subject matter jurisdiction or, in the alternative, to stay proceedings, plaintiff Performance Industries, Inc's opposition thereto and the briefs and arguments of counsel thereon, it is hereby ORDERED that plaintiff's complaint is DISMISSED for lack of subject matter jurisdiction.

BY THE COURT:

Ronald L. Buckwalter

RONALD L. BUCKWALTER, J.